

Policy 7.1.1 Fiscal — Goals, Policies and Action Statements

Revenue

Goal 7.1A. Maintain and enhance the City’s revenue base.

Policy 7.1A.1. Revenue base: Maintain a diversified and stable revenue base for the City.

Action Statements

- 7.1A.1a. Encourage a diversified and stable local economy.
- 7.1A.1b. Avoid reliance on restricted and/or inelastic sources of revenue.
- 7.1A.1c. Avoid targeting revenues for specific programs.
- 7.1A.1d. Revenue targeting should be used only when legally required or when a revenue source has been established for the sole purpose of financing a specified program or project.
- 7.1A.1e. Investigate potential new revenue sources, particularly those that do not add to the tax burden of residents or local businesses.
- 7.1A.1f. Levy taxes only to the degree required by the Ten-Year Resource Allocation Plan.
- 7.1A.1g. Encourage revenue growth at a rate equal to or greater than the ten-year projection of revenue requirements.
- 7.1A.1h. Maintain a diversified revenue base, not overly dependent on any land use or external funding source.
- 7.1A.1i. Establish user charges and fees at a level closely related to the cost of providing those services.
- 7.1A.1j. Adjust user fees annually so as to avoid major changes in them.
- 7.1A.1k. For each enterprise fund, review user fees annually, and set them at a level that will support the total direct and indirect costs of the activity.
- 7.1A.1l. Charge fees-for service only where the cost of the service can be easily calculated.
- 7.1A.1m. Fees may be charged for basic General Fund services where it is determined that the fee does not create an economic hardship.
- 7.1A.1n. Reduce the level of subsidy for fee-supported activities. The annual subsidy should not increase in percent terms above the previous year’s subsidy.
- 7.1A.1o. Strive to maintain taxes and fees at or below those of comparable cities.

COUNCIL POLICY MANUAL

- 7.1A.1p. Annually review which of the City's land holdings are not actively utilized and whether there are holdings which have no foreseeable public purpose.
- 7.1A.1q. Dispose of surplus personal property in the most cost-effective manner.
- 7.1A.1r. Seek all possible Federal and State reimbursement for mandated projects and/or programs.
- Policy 7.1A.2. Revenue Forecasting and Monitoring: Develop and maintain a revenue monitoring system to assist in trend analysis and revenue forecasting.

Action Statements

- 7.1A.2a. Maintain and further develop methods to track major revenue sources.
- 7.1A.2b. Maintain at least ten years' data for all major revenue sources.
- 7.1A.2c. Estimate revenues for the budget year and for each planning year in the Ten-Year Resource Allocation Plan.
- 7.1A.2d. Establish methods to maximize the accuracy of revenue forecasts.
- 7.1A.2e. Establish an investment accounting system to provide management information concerning cash position and investment performance.
- 7.1A.2f. Project estimated revenues from intergovernmental sources only to the specific date on which entitlement will end.
- 7.1A.2g. Forecast estimated intergovernmental revenues for which the City is eligible (but which are not guaranteed) to assure that local matching funds will be provided if it is determined that a specific program or service should continue without regard to funding source.
- Policy 7.1A.3. Revenue Collection: Develop and maintain an aggressive revenue collection program to assure that monies due the City are received in a timely fashion.

Action Statements

- 7.1A.3a. File for State-mandated claims.
- 7.1A.3b. Conduct periodic point-of-sales audits for sales taxes.
- 7.1A.3c. Conduct periodic audits on all franchises and concessions.
- 7.1A.3d. Conduct periodic reviews and audits of transient occupancy tax returns.
- 7.1A.3e. Develop an aggressive collection system for all accounts receivable, including utility receivables.

COUNCIL POLICY MANUAL

Financial Practices

Goal 7.1B. **Maintain sound financial practices which meet all applicable standards and direct the City's financial resources toward meeting the City's long term goals.**

Policy 7.1B.1. Resource Allocation: Allocate resources in direct relation to general plan goals.

Action Statements

7.1B.1a. Direct capital improvements so as to implement General Plan goals.

7.1B.1b. The City Manager should include in each proposed budget a statement describing how each proposed improvement (or category of improvement) accomplishes General Plan goals.

7.1B.1c. When considering new or expanded services, implement those necessary to support the goals, policies, and action statements of various General Plan elements and sub-elements.

7.1B.1d. Involve citizens in the budget process to the extent feasible.

Policy 7.1B.2. Capital Improvements, Maintenance and Replacement: Provide for optimal maintenance of capital improvements and schedule equipment for future replacement at the most cost-effective time.

Action Statements

7.1B.2a. Maintain Capital improvements to the level required to adequately protect the City's capital investment and to minimize future maintenance and replacement costs.

7.1B.2b. Give high priority to replacing capital improvements when they have deteriorated to the point where they are hazardous, incur high maintenance costs, negatively affect property values, or no longer serve their intended purposes.

7.1B.2c. Assume the cost of replacing those improvements which were not developer-installed, such as parks, sewers, and water lines. Replacement of water and sanitary sewer lines should be financed through the Water and Sewer Funds. Replacement of streets, sidewalks, and storm drains should be financed by the General Fund.

7.1B.2d. New improvements such as sidewalk, curb and gutter, and water and sewer lines should be funded by those directly benefiting, to the degree benefited.

Policy 7.1B.3. Capital Improvement Design: Design capital improvements to assure cost efficiency and to accomplish City goals and policies.

Action Statements

COUNCIL POLICY MANUAL

- 7.1B.3a. Base the planning and design of capital improvements on standards which minimize construction costs, while assuring acceptable useful life and reducing maintenance requirements.
- 7.1B.3b. Waterline, sanitary sewer, and storm drain line improvements should be designed and constructed to the size required to serve the City's capacity needs when fully developed. Water and sanitary sewer support systems need not reflect full future demand, but should be designed to accept future load without the need to substantially redesign existing facilities.
- 7.1B.3c. Facility improvements should include, where possible, at least the following in their design and construction:
 - 1. Energy efficiency.
 - 2. Minimum maintenance.
 - 3. Efficient physical relationship for those working in the facility.
 - 4. Capacity adequate to meet the requirements projected for the last year of the Ten-Year Resource Allocation Plan.
 - 5. Ability to accommodate future expansion with minimum remodeling costs.

Policy 7.1B.4 Intergovernmental Funds: Recognize in ten-year planning the lack of stability inherent in intergovernmental funds, and reduce reliance on intergovernmental assistance.

Action Statements

- 7.1B.4a. Discourage use of intergovernmental grant assistance for routing programs. Intergovernmental grants may be used for special projects which strengthen a program, have a definable starting and ending date, and do not expand a service in such a way as to require the substitution of local funds to continue part or all of the service once intergovernmental assistance ends.
- 7.1B.4b. Intergovernmental assistance should be used to establish or expand a program only after the Ten-Year Resource Allocation Plan shows:
 - 1. Elimination of the program at the end of the intergovernmental funding period, or
 - 2. Continuation of the program upon completion of intergovernmental funding by including the requisite local funding in the Ten-Year Resource Allocation Plan.
- 7.1B.4c. Utilize a uniform grants application process to assure that the City Council has the information necessary to make a decision regarding a potential intergovernmental grant. Staff should present to Council a Notice of Intent

COUNCIL POLICY MANUAL

regarding a possible grant source which shall include at least the following information:

1. The grant being pursued and the use to which it would be placed.
2. The objectives or goals of the City which will be achieved through use of the grant.
3. The local match required, if any, plus the source of the local match.
4. The increased cost to be locally funded upon termination of the grant.
5. The ability of the City to administer the grant.

7.1B.4d. Pursue and use intergovernmental assistance for projects in the Ten-Year Capital Improvement Plan.

Policy 7.1B.5 Performance Budget System: Maintain and refine the Performance Budget System to assure its use for multi-year planning, full cost accounting, and budget monitoring.

Action Statements

- 7.1B.5a. Present an updated Ten-Year Capital Improvement Plan to the City Council annually.
- 7.1B.5b. Include resources required to maintain new capital improvements, commencing in the year the improvement is completed and continuing through the remaining years of the Ten-Year Resource Allocation Plan.
- 7.1B.5c. Provide adequate funding to cover retirement and insurance plans.
- 7.1B.5d. Assure that all costs attributable to a budgeted program are fully costed and reflected in program budgets (with the exception of capital costs of general-use public buildings and facilities).
- 7.1B.5e. Control the growth of City expenditures consistent with meeting public service needs and the requirements of Articles XIII A and B of the California Constitution which limit the growth of revenues and expenditures in accord with prevailing economic conditions. Limit the percent growth of General Fund operating expenditures so that they will not annually exceed the percentages derived from the following formula: the consumer price index (CPI) for the San Francisco Bay Area, plus population growth, plus the percentage derived by dividing the dollar value of building permits for industry and commercial enterprises by the assessed value base for industrial and commercial uses, plus 2%.
- 7.1B.5f. Measure work productivity to ensure an optimal allocation of human and fiscal resources to budget-approved services and programs.

COUNCIL POLICY MANUAL

- 7.1B.5g. Allow maximum work productivity to ensure an optimal allocation of human and fiscal resources to budget-approved services and programs.
 - 7.1B.5h. Maintain performance measurement and productivity indicators by service objective within each program, and use them for trend analysis and evaluation.
 - 7.1B.5i. Present a balanced Ten-Year Resource Allocation Plan to the City Council annually, to include a two-year operating budget.
 - 7.1B.5j. Use the Ten-Year Plan as the basis for long-range financial planning decisions.
 - 7.1B.5k. Assure that all operating programs have budget objectives which identify the service, the level for that service, and the resources being provided to accomplish the specified objectives.
- Policy 7.1B.6 Capital Improvement Funding: Use all available funding sources to finance capital improvement projects consistent with City priorities.

Action Statements

- 7.1B.6a. Identify revenue sources for each proposed capital improvement project.
 - 7.1B.6b. Seek out and use intergovernmental funding sources for capital improvements, first assuring that the projects meet an initial test of being required to achieve City goals and a second test that the projects will be funded and build in a logical priority.
- Policy 7.1B.7 Land Acquisition: Acquire land to meet City goals in the most cost efficient and timely manner.

Action Statements

- 7.1B.7a. Assure that undeveloped land needed to meet City goals is given a high budgetary priority so that it can be acquired before it is developed.
 - 7.1B.7b. Developed land should be acquired in reasonable proximity to the time the property is required for City purposes.
 - 7.1B.7c. Every effort shall be made to acquire property through negotiation, reserving the use of eminent domain for those circumstances when immediate possession is required and the property cannot be acquired through negotiation at a cost approximating market value.
- Policy 7.1B.8 Reserves: Provide a prudent level of reserves for future unexpected expenses and revenue declines; to accumulate funds to support future planned capital improvements; and to level high and low expenditure years in the Ten-Year Resource Allocation Plan.
- 7.1B.8a. Maintain reserves necessary to cover contingent liabilities.

COUNCIL POLICY MANUAL

- 7.1B.8b. Maintain reserves required for debt service in accordance with debt policy.
- 7.1B.8c. Plan to maintain contingency reserves equal to 10% of the operating expenses for the General Fund and all enterprise funds.
- 7.1B.8d. Maintain reserves for funding capital improvements scheduled in future years.
- 7.1B.8e. Maintain a reserve for repurchase of the Library.
- 7.1B.8f. Maintain an actuarially sound reserve in the Benefits Fund to protect the City's risk and insurance management program.
- 7.1B.8g. Maintain reserves necessary to purchase open space and other land needed by the City currently or in the future.
- 7.1B.8h. Strive to establish an undesignated capital improvement reserve and loan fund in the General Fund. Such a reserve fund may be used to meet unplanned, but needed, capital improvements within the General Fund, and to loan monies to other funds when necessary to reduce the cost of borrowing, or to finance a capital improvement that would otherwise require erratic user fees and rates. Such a reserve fund shall not exceed 20% of General Fund revenues in any fiscal year.

Policy 7.1B.9 General Fund Surplus: Plan the effective use of surplus funds in order to accelerate service programming or reduce taxes.

Action Statements

- 7.1B.9a. A General Fund surplus is defined to exist when the Ten-Year Resource Allocation Plan indicates that a Ten-Year Plan reserve exists in any one year of the plan and will continue to exist at that level or greater for each subsequent year of the Plan.
- 7.1B.9b. When a surplus exists, accelerate capital improvements from later years in the Plan to the degree that (1) they are required earlier, and (2) staff can effectively undertake the improvement at the earlier date.
- 7.1B.9c. When an excess of funds exists, the following criteria should be used in considering revenue reductions:
 - 1. The revenue source should be capable of absorbing a significant reduction over time.
 - 2. The method of reducing revenue should be one which is easy to administer both in the short term and long term.
 - 3. The revenue reduction source should be fair and equitable to those who pay and, to the extent possible, should provide a benefit directly to all taxpayers who are selected to receive the reduction.

COUNCIL POLICY MANUAL

4. Only those tax sources over which the City has direct control should be considered for reduction.
5. Reduction should not occur in a revenue source which would reduce the diversity or stability of the General Fund.

Policy 7.1B.10 Enterprise funds: Fully account for and apportion all costs, fees, and General Fund transfers associated with enterprise funds.

Action Statements

- 7.1B.10a. Assure that all direct costs of an enterprise fund are fully cost-accounted.
- 7.1B.10b. Administrative costs shall be transferred to each enterprise fund from the general Fund in amounts equal to the percent of the total operating budget represented by each enterprise fund multiplied by the administrative costs supported by the General Fund.
- 7.1B.10c. The costs of each enterprise, including the transfers from the General Fund, shall be offset by user charges and fees derived from the enterprise activity. “Costs” shall mean all operating, capital, debt service, contingency, and administrative costs.
- 7.1B.0d. Any Revenues in excess of expenditures shall not be used for general municipal purposes.

Debt

Goal 7.1C. Provide a framework for the wise and prudent use of debt.

Policy 7.1C.1 Debt Limits: Limit use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers.

Action Statements

- 7.1C.1a. Limit use of debt in accordance with the following criteria:
1. Total City debt should not exceed 5% of assessed valuation.
 2. Total City debt should not exceed \$350 per capita..
 3. City and overlapping debt together should not exceed 8 % of assessed valuation.
 4. Annual debt service should not exceed 10% of the annual budget.
 5. Average outstanding bond maturities should not exceed 10 years.
 6. Except in the case of assessment debt, debt reserves equal to the next principal and interest payment should be maintained.

COUNCIL POLICY MANUAL

7.1C.1b. The following guidelines should apply to the issuance and management of debt:

1. There should be no short-term (debt) borrowing to support routine operations unless (a) the borrowing will be at a lower rate than invested funds, and (b) funds are available for routine operations.
2. Debt payment should not exceed the anticipated useful life of an improvement, and in no case should it exceed 30 years.
3. Generally, debt should be used only to finance improvements that cannot be financed with current revenues. This guideline would not apply when the express purpose of spreading improvement costs over a long period of time is to ensure that future citizens become responsible for portions of the cost.
4. Bond issues should be scheduled to equalize annual debt service requirements to the degree that borrowing costs can also be minimized.
5. Efforts should be made to maintain or improve the City's bond rating.
6. With each bond offering, and at least annually, the City shall fully disclose its financial position and fiscal management practices.

7.1C.1c. Generally, the method of financing selected for debt retirement should be based on who will benefit and who should pay for the cost of improvements. The following are guidelines:

1. Ad Valorem Taxes - For improvements of community-wide benefit and use, such as general municipal buildings and parks, when approved by the voters.
2. Enterprise Revenues - For non-lateral water and sewer improvements and golf course improvements.
3. Assessments - For new subdivision improvements and for City improvements where the Council has determined that a specific benefiting group should be responsible for payment.
4. Tax Increment - For improvements required to increase future tax base and where rehabilitation or redevelopment is required.
5. General Revenues - Where backing by the full faith and credit of the City is needed. General revenues shall not be used as primary backing for any bond issue.

7.1C.1d. Encourage pay-as-you-go financing of capital improvements where feasible.

Accounting System

COUNCIL POLICY MANUAL

Goal 7.1D Maintain a system of accounting which makes it possible to show that all applicable laws have been met; that fully discloses the City's financial position and results of financial operation of all of the City's fund and account groups; and that would achieve an unqualified auditor's opinion on each fiscal audit.

Policy 7.1D.1 Accounting Principles: Maintain accounting systems and financial management practices in conformance with generally accepted accounting principles.

Action Statements

7.1D.1a. Maintain the City's accounting system in such a way as to conform with generally accepted accounting principles established by the National Committee on Governmental Accounting, and so as to result in an unqualified opinion by the City's independent auditor. The Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting should be pursued annually.

7.1D.1b. Funds not immediately required to meet expenses shall be invested in such ways as to maximize yield while assuring required liquidity and safety in accordance with the City's investment and Cash Management Policy.

7.1D.1c. The accounting system shall provide a mechanism to fund accrued benefits liabilities.

7.1D.1d. Maintain internal services funds for employee benefits and for general support services in order to (1) provide a vehicle to assure that the costs of support services are reflected in the operating cost of budgeted programs; (2) encourage cost-effective maintenance and repair of capital equipment; (3) provide a leveling mechanism to equalize expenses for building and equipment maintenance, repairs, and replacement; and (4) fully fund benefits liabilities under direct City control.

7.1D.1e. Maintain an integrated accounting and budget system so that production and cost for each objective can be maintained and evaluated.

7.1D.1f. Maintain sound appraisal procedures to keep property values current.

7.1D.1g. Prepare and provide the City Council with periodic summary financial reports, by fund, comparing actual revenues and expenditures to budgeted amounts.

7.1D.1h. Establish a rental rate charging structure for all general services programs.

Policy 7.1D.2 Internal Controls: Maintain financial integrity and provide assurance that adequate internal controls are in place.

Action Statements

COUNCIL POLICY MANUAL

- 7.1D.2a. Conduct periodic financial, operational, and management audits to assure that adequate internal controls exist and that management practices are in compliance with Federal, State, and City rules and regulations.
- 7.1D.2b. Maintain an internal audit program as a management tool.

Purchasing System

Goal 7.1E. Maintain a centralized system for the effective and efficient purchasing of goods and services.

Policy 7.1E.1 Purchasing Practices: Maintain a purchasing system in conformance with generally accepted purchasing practices.

Action Statements

- 7.1E.1a. Provide for competitive bidding whenever possible.
- 7.1E.1b. Provide for the use of other processes whenever the obtaining of competitive bids is impractical, impossible, incongruous, or unavailing.
- 7.1E.1c. Maintain an efficient and effective system of inventory management for City-stocked items, and for sale or disposal of surplus items.
- 7.1E.1d. Disseminate “state-of-the-art” information to user departments, and assist users to take advantage of the latest technology to enhance cost-benefit.
- 7.1E.1e. Utilize sophisticated concepts and techniques to improve the cost-effectiveness of purchasing.

(Adopted by Resolution 119-88; RTC 88-114 (3/15/88))

Lead Department: Department of Finance